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ABSTRACT

Based upon a study of North Carolina, its population, and its fiscal support for schools, this report summarizes the Commission's twelve recommendations. The recommendations are related to: (1) equal opportunity for all children; (2) a comprehensive programmatic method of funding local programs; (3) allocation of State aid through a weighted instructional unit; (4) quality of professional staff; (5) factor for isolated school costs; (6) State equalization funds; (7) equalization fund; (8) equity among taxpayers; (9) State responsibility for financing schools; (10) continuance of State fiscal effort; (11) State participation in school facility costs; and (12) standards for school facilities. (Author/EB)

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Access to Equal Educational Opportunity in North Carolina

A condensed version of the Report of the Governor's Study Commission on Public School Finance of North Carolina

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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Raleigh, North Carolina
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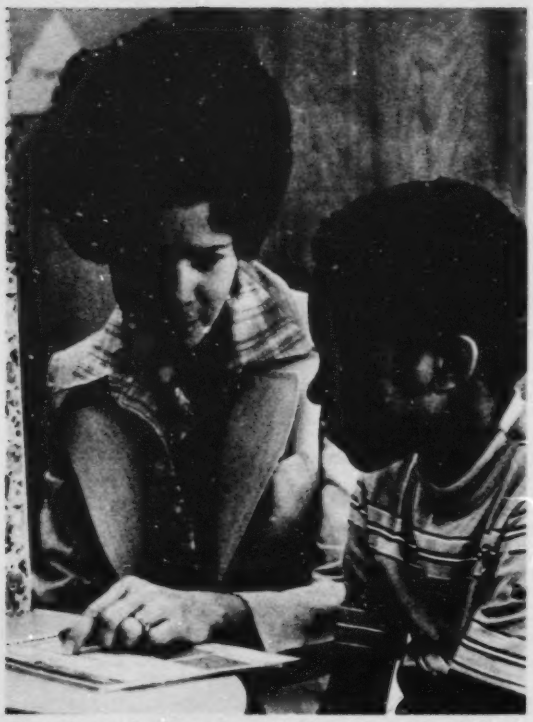

Mrs. James B. Hunt, Jr., wife of the Governor of North Carolina, tutors reading in an elementary school.

The Report of the Governor's Commission on
Public School Finance

Access to Equal Educational Opportunity in North Carolina

A Condensed Version

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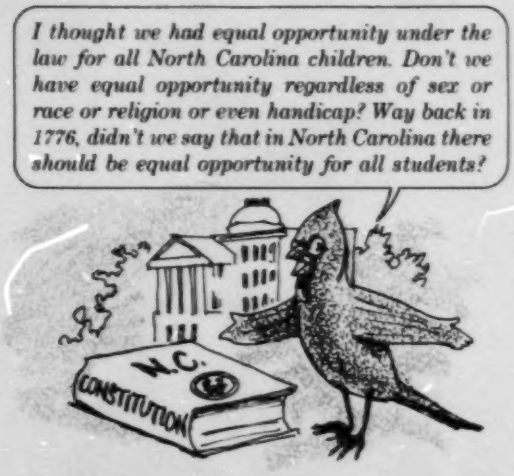
Access to Equal Educational Opportunity in North Carolina

In looking across North Carolina, one can see many differences in how children are educated.

In some places, students have marching bands, tutors, calculators, language labs, and teachers who are specially trained to teach them. They have library books, microscopes, activity buses. In other places, students don't have access to such opportunities.

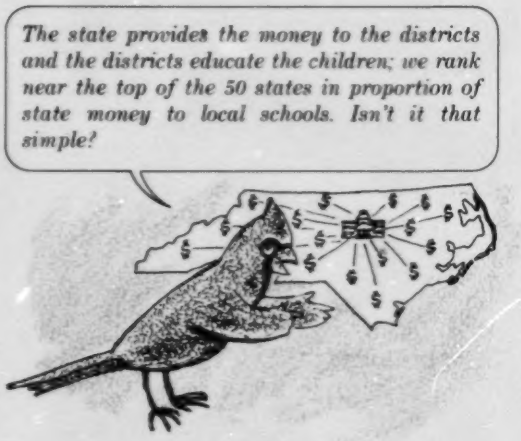

I thought we had equal opportunity under the law for all North Carolina children. Don't we have equal opportunity regardless of sex or race or religion or even handicap? Way back in 1776, didn't we say that in North Carolina there should be equal opportunity for all students?
N.C. CONSTITUTION

That's what our laws and our forefathers said.

The Constitution of the state of North Carolina (1776) spoke to the responsibility of the state for a uniform system of free public schools with equality of opportunity for all students.

In 1971 the *Serrano vs. Priest* decision stated that the quality of a child's education could not depend on the resources of the school district, but must be dependent upon the wealth of the state as a whole. The *Serrano vs. Priest* decision, made in California, has been followed by eleven other similar court rulings.

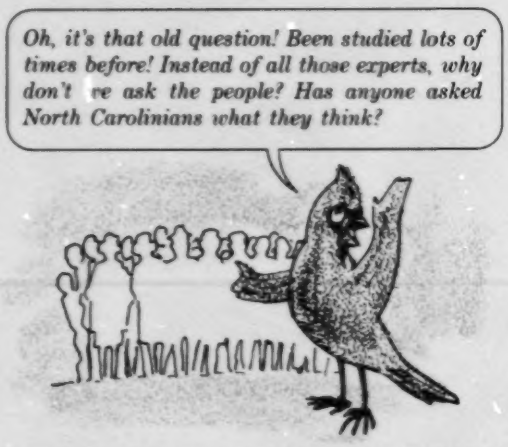
In 1977 Governor Hunt of North Carolina said that this important issue is "one of assuring equality of educational opportunity throughout the state, no matter in which district a pupil resides."


The state provides the money to the districts and the districts educate the children; we rank near the top of the 50 states in proportion of state money to local schools. Isn't it that simple?

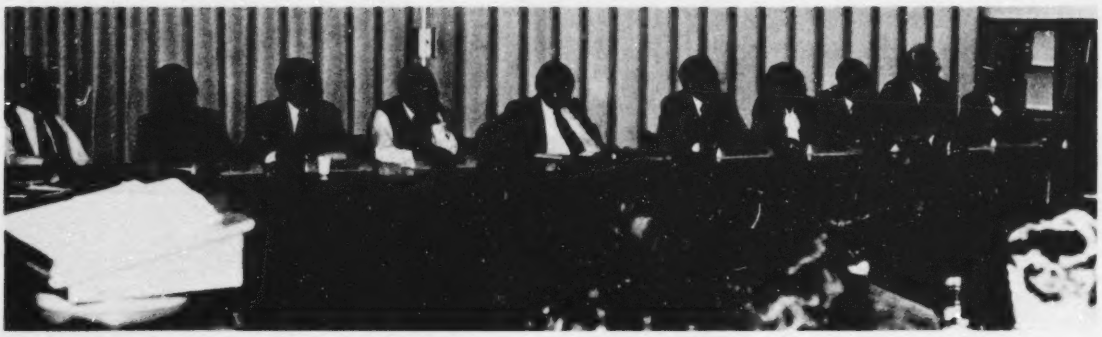
The state of North Carolina provides an average of 67 percent of the monies spent by local school districts. That's a lot.

But to the extent that local districts must appropriate money for specified school programs, the state does not equalize the burden.

There are differences in the ability and the effort of local districts to generate education funds at the local level. There are differences in student needs, also.

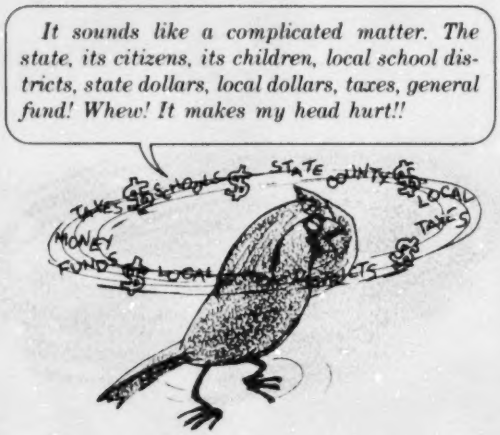

Oh, it's that old question! Been studied lots of times before! Instead of all those experts, why don't we ask the people? Has anyone asked North Carolinians what they think?

Yes. North Carolinians have voiced their opinions in three citizen surveys since 1975.



Citizen opinion from the surveys support five major points:

- Voters think they should have a share in making decisions about school finance.
- The General Assembly should be responsible for providing financial support to the schools, primarily through state funds with some assistance from local and federal funds.
- A major solution to problems within education is better funding.
- Taxes should be more equitable.
- State funds should make up the difference between local fiscal capacity and the costs of a quality educational program.

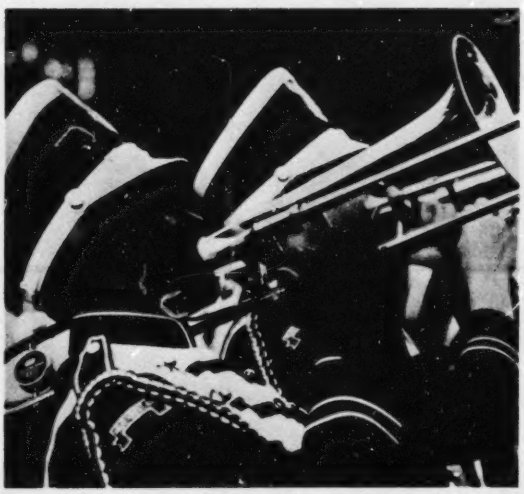

It sounds like a complicated matter. The state, its citizens, its children, local school districts, state dollars, local dollars, taxes, general fund! Whew! It makes my head hurt!!
STATE
LOCAL
TAXES
MONEY
FUNDS

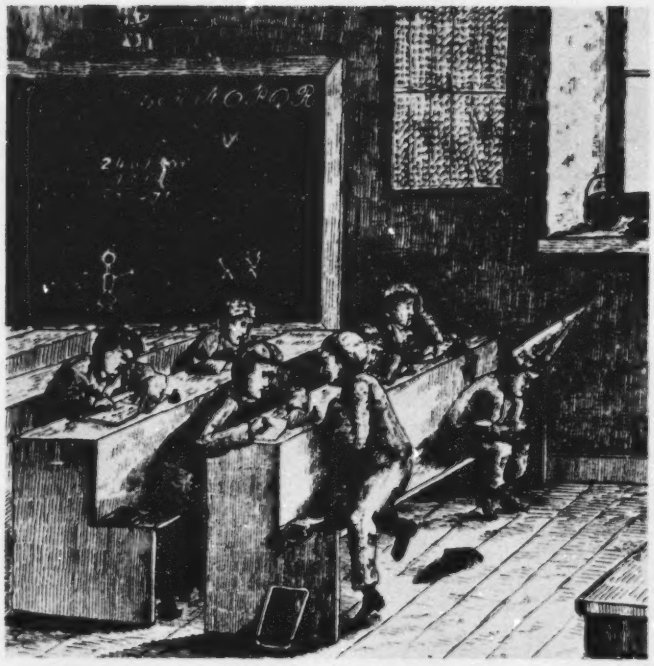
Equal access to educational opportunity is a big question. It's a question that has to do with children, and educational programs, and having a chance to get an education. It has to do with teachers and buildings and buses. It has to do with costs and dollars being put into programs that can reach all children. Equal access to educational opportunity has to do with the future of our state.

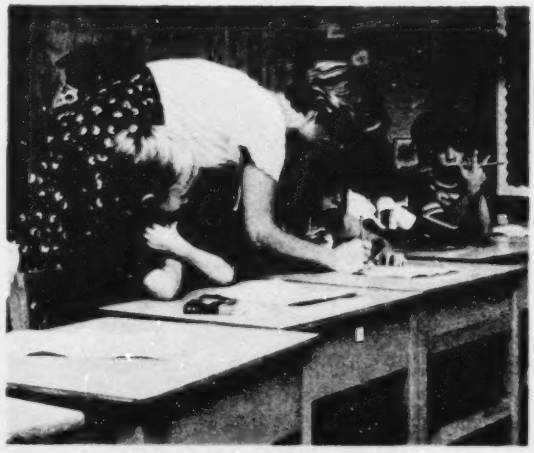
A Governor's Commission was authorized in June, 1977, by Governor James B. Hunt, Jr., to study this question and to report its findings in October, 1978. The Commission, composed of 14 members, studied the problem by seeking expert advice, by using study committees, by obtaining data from state agencies, by holding public hearings and seeking public opinion, by obtaining position papers.

The Commission examined four basic questions:

> Given the varying needs of over 1,000,000 public school children, how is opportunity to be measured in equal terms? It appears that the classroom unit—that is, a trained teacher and a given number of students—represent a basic unit by which educational opportunity is provided to children.
>
> If the classroom unit is accepted as a base in which educational opportunity is provided, how are these classroom units comparable? Fifty thousand classroom units are required for the state of North Carolina to provide educational opportunity. The characteristics of these units,







defined by average daily membership of students, vary as to ages of students, needs of students, various curricula to be taught, and location of units.

How are classroom units to be supported? Classroom units are housed typically in a school and schools are grouped into school districts. Counties with less resources may make superior efforts to finance school programs because of unequal wealth. Yet the actual program results of such effort may be inferior to wealthier communities where school support does not require as much effort.

A fourth question is that of the state's financial participation in assisting local districts to provide equitable support so that educational opportunity can be equalized across the 145 school districts.

These questions about education of the young have been present as far back as the earliest records of our state.

The First 63 Years of Statehood

Early local governments set up school houses (1745) and public schools (1766), and they provided funds "for poorer children's tuition" and for the schoolmaster's salary.

(New Bern in 1766 supported its school by a tax on imported rum and spirituous liquors and through gifts of public land and annual public taxes.)

In 1825 the state legislature enacted "The Literary Fund Law" which authorized the state to provide monies to educate "such children" as it deemed expedient to educate.

In 1839 the Cherry Bill provided that a local tax of $20 could be matched with a sum of $40 by the state from the State Literary Fund.

The Next 100 Years of Support and Extension of Public Education

In 1889 the legislature authorized the first statewide appropriations for public education.

In 1901 the legislature appropriated $100,000 to support a 4-month school term in every school district.

In 1911 a minimum school term of 6 months was mandated by amending the State Constitution.

In 1919 the funding of such a school term was guaranteed by the allocation of state property taxes to every school district. The basis of support for the high schools was made similar to elementary schools.

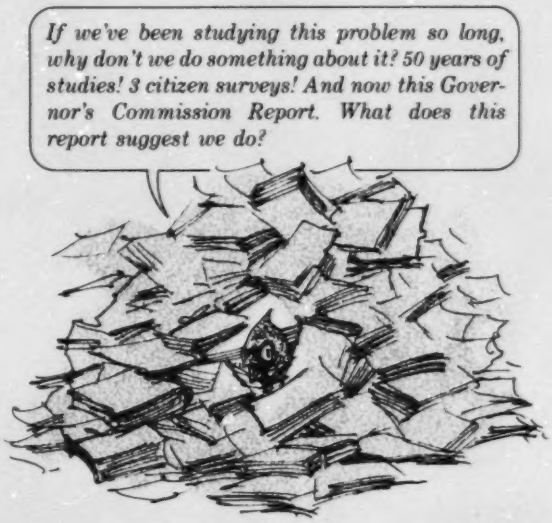
In 1933 the School Machinery Act was passed. The principal effect was the complete state support of the public schools and the creation of a State School Commission to administer the schools. A general sales tax was enacted to help finance the system.

Fifty Years of School Finance Studies and Reports

1927—State Educational Commission appointed by Governor McLean
1948—Commission authorized by the General Assembly and appointed by Governor Cherry
1957—Commission for the Study of Public Schools authorized by the General Assembly
1968—Commission on the Public School System of North Carolina appointed by Governor Moore
1972—State Board of Education Study
1975—Office of State Planning Study
1976—State Department of Public Instruction Study

Three conclusions expressed from these studies were:

- A minimum foundation or base program is needed in order to provide equal opportunity for children in the state.
- Tax efforts should be equalized in some manner so that taxes are equitably distributed.
- School districts should be allowed to exceed the minimum foundation or base program for their districts.


If we've been studying this problem so long, why don't we do something about it? 50 years of studies! 3 citizen surveys! And now this Governor's Commission Report. What does this report suggest we do?

The 1979 Governor's Commission on Public School Finance reports 12 recommendations. Briefly, the recommendations are related to:

- Equal Educational Opportunity for All Children
- A Comprehensive Programmatic Method of Funding Local Programs
- Allocation of State Aid Through a Weighted Instructional Unit
- Quality of Professional Staff
- Factor for Isolated School Costs
- State Equalization Funds
- Equalization Fund
- Equity Among Taxpayers
- State Responsibility for Financing Schools
- Continuance of State Fiscal Effort
- State Participation in School Facility Costs
- Standards for School Facilities

The twelve recommendations were based on examination of many facts and opinions. Information about the **population** of the state was important.

- North Carolina ranks 9th among all states in total school membership (1977). North Carolina has 1,164,023 pupils of 43,634,577 in

USA schools; 52,906 teachers of 2,193,000 in USA schools; 4,658 support personnel of 218,-000 in USA schools.

- School age population in 1976 in North Carolina was 23.2 percent of total state population.
- Preschool age children in North Carolina were 7.4 percent of total state population.
- In North Carolina the "productive population" constituted 60.4 percent.
- North Carolina was the 3rd most rural state in the South in 1975; yet in population, 11th in the United States.

Information about **income** of its citizens was important, too.

- Per capita average income in North Carolina was $5,453 or 85 percent of the national average.
- Percentage change since 1970 in total annual personal income of 62.7 percent is considerably above national norm. Yet 12.1 percent of the state's families have incomes below the poverty level (1975).
- Percentage of working force unemployed was 6.2 percent rate in 1976.
- Measured by the proportion of the population completing high school, North Carolina does not compare favorably with other states; additionally, the number of high school graduates is increasing more slowly than elsewhere in the South.

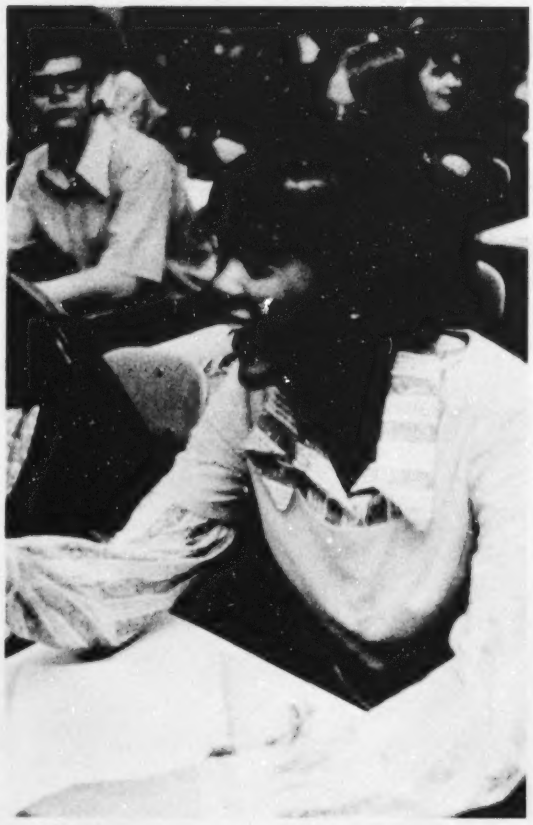
Information about **fiscal support for schools** was examined.

- Below the national average of $1,476, North Carolina at $1,137 per pupil is also below three southern states—Florida, Virginia, and Louisiana—and is almost equal with South Carolina.
- North Carolina, in fact, ranks 38th among all states in per pupil expenditure for 1976-77.

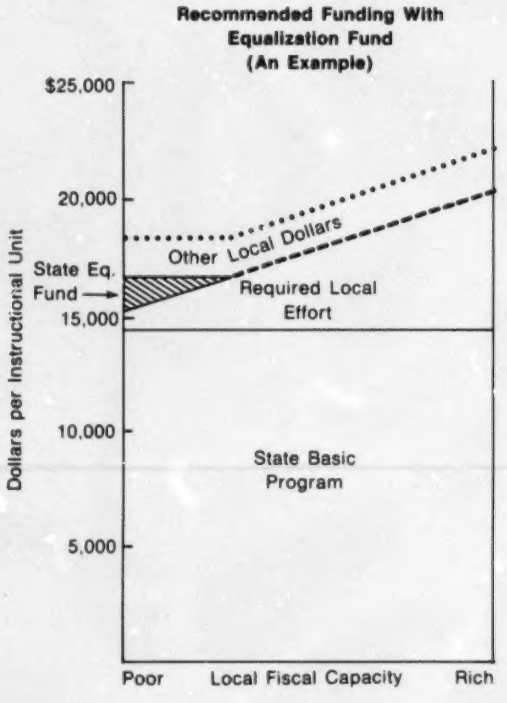
On the basis of its study, the Commission makes 12 recommendations.

1 *Need for Equal Educational Opportunity for All Children*

The Commission recommends a state school finance system that provides equal educational opportunity to all children, taking into account legitimate program costs and variations in



fiscal ability among local administrative units, through continuation of a *Basic Aid Fund* and the establishment of an *Equalization Fund.*



2 Need for a Comprehensive Programmatic Method of Funding Local Programs

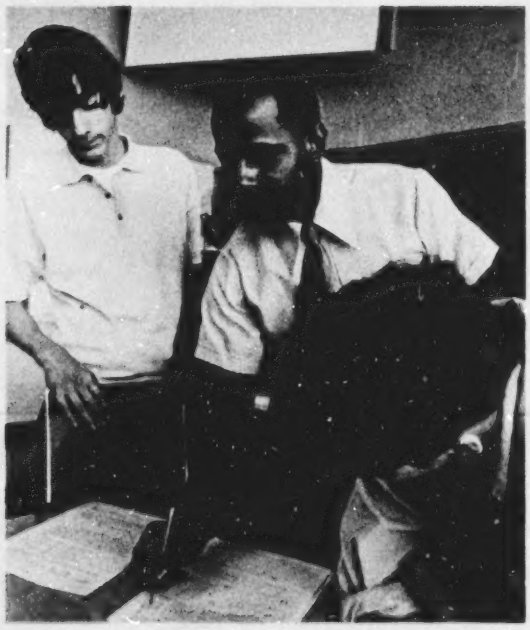
The Commission recommends that the *Basic Aid Fund* be allocated to each local administrative unit on the basis of a comprehensive programmatic method of funding based on program costs rather than line-item allocations.

RECOMMENDED BASIC AID FUND FOR LOCAL UNITS

Educational Programs	rather than	Budget Line-Items
Grades K-3 Grades 4-8 (Base) Grades 9-12 with "add-on" units for exceptional, vocational, teacher allotment, isolated schools		**63**

3 Need for Allocation of State Aid Through a Weighted Instructional Unit

The Commission recommends that the *Basic Aid Fund* be allocated through the use of a weighted classroom instructional unit. Cost differentials for weighted program units should be evaluated annually.



Example of Calculation of Weighted Instructional Units

(ADM ÷ 27) x Weighted Factor = Weighted Instructional Unit

ADM = average daily membership
27 = number of pupils in classroom unit
Weighted Factor = a weight given to each factor (factors include exceptional children, vocational education, teaching staff index, isolated school)

Basic Program Units	Weighted Instructional Unit
Grades K - 3	1.23
Grades 4 - 8 (Base Program)	1.00
Grades 9 - 12	1.23
"Add-On" Exceptional Child Units	
Level I Trainable Mentally Retarded Visually Handicapped	5.40
Level II Emotionally Handicapped Physically Handicapped Hearing Impaired, Hospitalized/Homebound	2.70
Level III Educable Mentally Retarded Learning Disabled	1.35
Level IV Speech Impaired	0.45
Level V Gifted and Talented	0.05
"Add-On" Vocational Units	
Agriculture	0.30
Distributive	0.27
Health	0.36
Home Economics	0.28
Business Office	0.30
Technical	0.32
Trade and Industrial	0.32

4 Need For Quality of Professional Staff

The Commission recommends that professional educators from each local administrative unit be classified in accordance with professional training and experience, utilizing a *Training and Experience Matrix* with the *Basic Aid Fund*. An index computed from the categories of the *Matrix* should be computed for each local administrative unit and should serve as a basis for state funding.

Each professional educator's position could be

located on a matrix for each local administrative unit. The total of the indices for that unit could serve as a guide for state funding.

	Training					
Years Experience	→	→	→	→	→	→
↑						
↑						
↑						
↑						
↑						

In the state of North Carolina, significant variations in course offerings were found. Research showed that size of a school is associated with the number of class alternatives, and that local wealth may be influential in determining supplemental offerings in cultural arts and foreign languages. These differences were not only observed when comparing regions or counties, but were observed within districts. Utilizing data from 72 districts, four categories were examined as to range of differences. Regarding different course offerings, the range was from nine to 52. Pupil-teacher ratios varied from 2.4 to one teacher to 44 to one. The range of percentage of teachers with graduate certification was from 6.3 percent to 50 percent, while the range of percentage of teachers with maximum experience was from 16.5 percent to 52.6 percent.

5 *Need For Factor For Isolated School Costs*

The Commission recommends that the State Board of Education adopt regulations specifying criteria for essential, isolated schools. Upon Board approval, local administrative units with qualifying schools should be allocated "add-on" weighted classroom instructional units in accordance with adopted formulas for elementary schools and for secondary schools.

Criteria for Essential, Isolated Schools

For purposes of determining "add-on" funding units for school districts having such designated schools, the following procedures should be followed. For example:

1. An approved essential, isolated elementary school offering basic instructional programs would receive "add-on" units determined as follows:

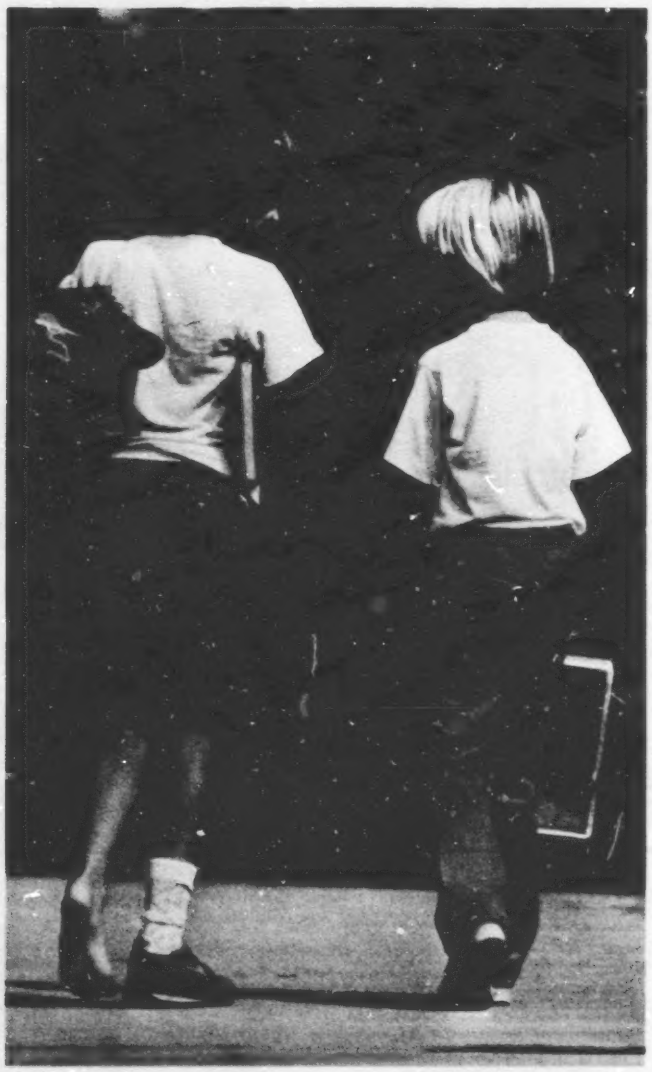
$$\frac{200 - ADM}{200} \times 1.00 \times \frac{ADM}{22} = \text{"add-on" units}$$

2. An approved essential, isolated secondary school offering basic instructional programs would receive "add-on" units determined as follows:

$$\frac{200 - ADM}{200} \times 2.00 \times \frac{ADM}{22} = \text{"add-on" units}$$

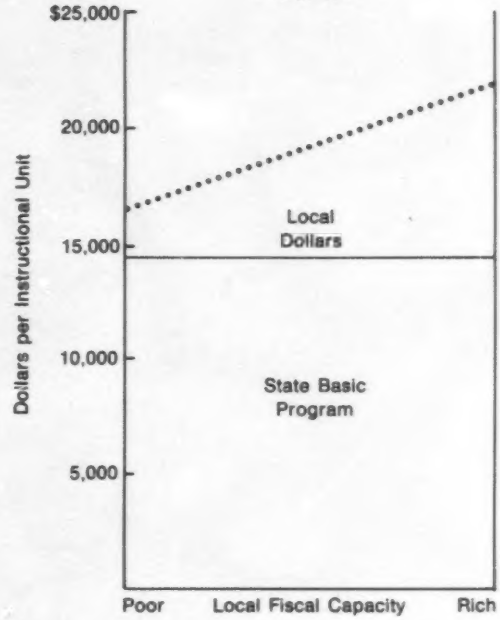
6 *Need For State Equalization Funds*

The Commission recommends that the state, through a policy of fiscal equalization, make educational programs more equally accessible to all children regardless of where they live or the economic condition of their parents or community. To that end, we recommend that the state establish an *Equalization Fund* and require local effort for participation. A hold-harmless provision should be implemented to assure that no local administrative unit would initially receive less state funds from the *Basic Aid Fund* plus the *Equalization Fund* than it did in the year immediately preceding implementation of the weighted instructional unit.

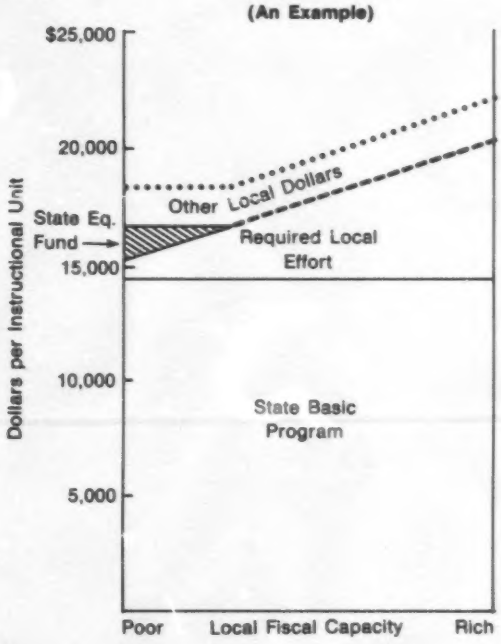


North Carolina is the only state, with the exception of Hawaii, which does not have an allocation feature in the state aid formula that equalizes local taxpaying ability. Variations in local fiscal capacity in North Carolina produce over $250 million of unequalized local contribution.

Present Funding Method



Recommended Funding With Equalization Fund (An Example)



7 *Need For An Equalization Fund*

The Commission recommends that the state, in order to gauge effort against ability, measure local fiscal capacity by a property-sales tax formula, modified by an adjusted general fund contribution factor.

Feasible alternatives for North Carolina appear to be (a) the equalized assessed valuation of property, (b) equalized assessed valuation of property plus the sales tax or some percentage of the sales tax, or (c) property plus sales with a factor entered representing the county contribution to the state general fund per pupil in relation to the state median. The last alternative is the preferred approach based on a comparison of data using the three alternatives.

1. Equalized property valuation, taxation retail sales, and contribution to the general fund per pupil within each county are determined and scaled into indexes with 1.0 representing the state median for each respective fiscal capacity index.
2. The equalized property valuation and taxable retail sales indexes are given weights of .8 and .2, respectively, and summed to obtain a property plus sales index of local access to taxable resources. The respective weights for the property and sales factors were selected to reflect the relative contribution of these taxes to county level revenues.
3. An adjusted state general fund contribution index is computed by reducing, through the use of a factor of two, the difference between each county's contribution to the state general fund per pupil and the state median contribution per pupil.
4. The recommended measure of local fiscal capacity is calculated by multiplying the property plus sales index for each county by the county's adjusted state general fund contribution index.

8 *Need For Equity Among Taxpayers*

The Commission recommends that the legislature, in order to maintain essential equity among property taxpayers, require the Department of Revenue to perform annual sales-assessment ratio studies and to certify an appropriate level of property valuation for each county.

9 *Need For State Responsibility For Financing Schools*

The Commission recommends that the State of North Carolina adhere to and strengthen its provision of a high level of basic school support from taxes collected at the state level.

67%—North Carolina, which provides an average of 67 percent of the monies spent by local school districts, ranks near the top of the 50 states in percentage of educational resources provided to local districts by the state.

10 *Need For Continuance of State Fiscal Effort*

The Commission recommends that the State of North Carolina maintain its fiscal effort for financing the public school system of the state.

72%—Taxpayer commitment for the public schools exceeds that of other states in the region and is above the national average, even though the overall tax burden is only 72 percent of the national average.

11 *Need For State Participation In School Facility Costs*

The Commission recommends that the state, through periodic issue of state bonds, continue to provide a reasonable proportion of statewide facility costs. Based on precedent, it would seem that the state's reasonable proportion will fall between 25 and 40 percent of the overall cost of school construction. The next statewide bond referendum should be held in 1979 or as soon as practical thereafter. School facility funds should be allocated to each school district on the basis of average daily membership.

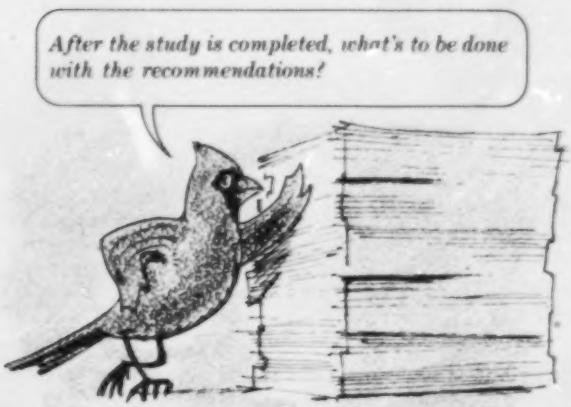
It is estimated that one billion dollars more is needed to have all students in safe, pleasant school facilities. These funds are needed for:

—equal access to schools
—energy conservation
—renovation costs
—new program demands
—increased cost in sites and materials

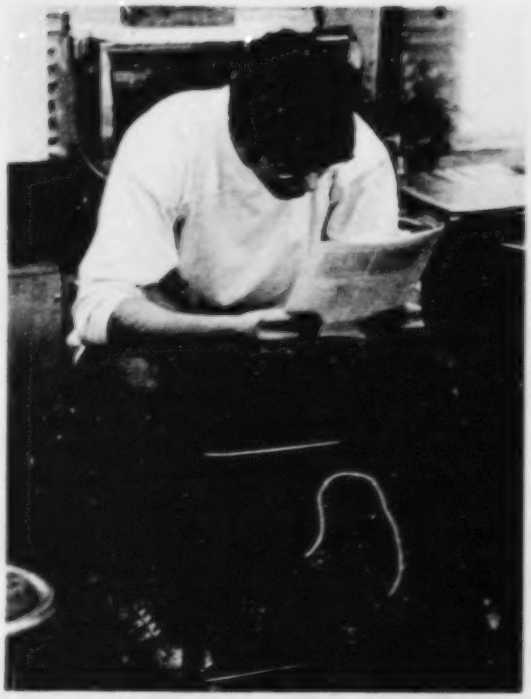
12 Need For Standards For School Facilities

The Commission recommends that all school construction projects approved by the State Board of Education meet qualitative and quantitative standards for cost effectiveness and design. Regular reports and inventories should be made on the status of school facilities to the State Board of Education and the General Assembly.

Adequate facilities and attractive, wholesome environments in which learning/teaching can occur require that state and local resources be applied regularly through systematic, on-going planning. Local authorities must continue to shoulder a major share of the responsibility for school facilities, but the state has an obligation to help.



- Recommendations are reported to the Governor of our state for review and action.
- Recommendations are reported to the State Board of Education, a 14-member board charged with developing policies for the operation of the public schools of the state.
- Recommendations are reported to the General Assembly members who propose and legislate our laws.
- Recommendations are reported to citizens, school board members, county commissioners, and other citizens who carry responsibility for the financing of the public schools.



Recognition of Special Contribution

Appreciation is expressed to the following persons and groups, among others, who assisted the Commission and made contributions to the accomplishment of its work.

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William W. Peek, Assistant to the State Superintendent, North Carolina Department of Public Instruction

Frank B. Neal, Member, Governor's Commission on Public School Finance (June, 1977-January, 1978)

Dr. Gerald D. James, Executive Director, Governor's Commission on Public School Finance (September, 1977-June, 1978)

David Weilmuenster, Statistician, Governor's Commission on Public School Finance (October, 1977-February, 1978)

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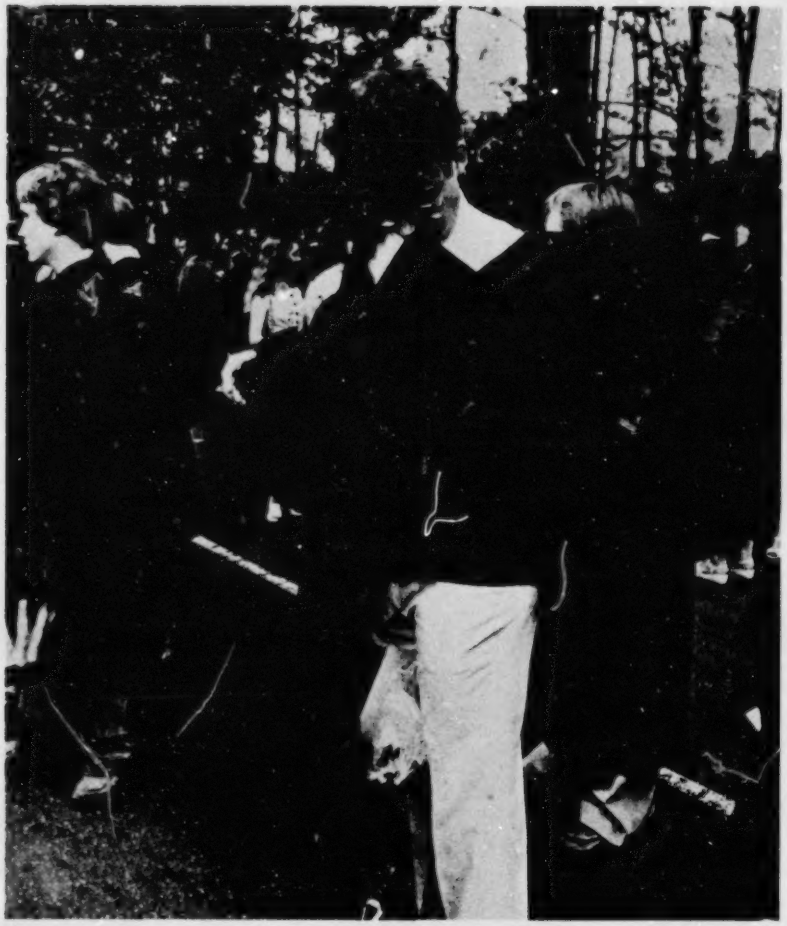

Access to Equal Educational Opportunity in North Carolina

A Condensed Version

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